



WING HONG (HOLDINGS) LIMITED

榮康(控股)有限公司\*

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 745



**2007**  
**INTERIM REPORT**

\*For identification purpose only

## Corporate Information

### Executive Directors

Mr. Hui Chi Yung (*Chairman*)  
Mr. Yiu Kai Yeuk, Raphael  
Mr. Hui Kau Mo

### Independent Non-Executive Directors

Mr. Liu Kwong Sang  
Mr. Sit Hing Wah  
Dr. Hu Chung Kuen, David

### Audit Committee

Mr. Liu Kwong Sang  
Mr. Sit Hing Wah  
Dr. Hu Chung Kuen, David

### Company Secretary

Mr. Shea Chun Lok *B.Bus, CPA, FCPA (Aust.)*

### Qualified Accountant

Mr. Tam Ping Kuen, Daniel *MSc, CPA, FCCA*

### Auditors

HLB Hodgson Impey Cheng  
*Chartered Accountants*  
*Certified Public Accountants*

### Registered Office

Cricket Square, Hutchins Drive  
P.O. Box 2681, Grand Cayman KY1-1111  
Cayman Islands

### Head Office and Principal Place of Business

13/F, OTB Building  
259-265 Des Voeux Road Central  
Hong Kong  
Telephone 2861 2363  
Facsimile 2861 2971

### Cayman Island Principal Share Registrar and Transfer Office

Bank of Butterfield International  
(Cayman) Ltd.  
Butterfield House, 68 Port Street  
P.O. Box 705, George Town  
Grand Cayman, Cayman Islands

### Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited  
26th Floor, Tesbury Centre  
28 Queen's Road East  
Hong Kong

### Ordinary Share Listing

Main Board of The Stock Exchange of  
Hong Kong Limited  
(Stock code: 745)

The board of directors (the "Board") of Wing Hong (Holdings) Limited (the "Company") presents the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2007, together with the appropriate comparative figures as follows:

### Condensed Consolidated Income Statement

For the six months ended 30 September 2007

	Note	Six months ended 30 September	
		2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Restated)
Turnover — contract revenue	3	13,345	36,986
Contract cost		(11,710)	(37,677)
Gross profit/(loss)		1,635	(691)
Other revenue	4	1,381	1,028
Other income	4	—	865
Administrative expenses		(11,812)	(7,237)
Loss from operating activities	5	(8,796)	(6,035)
Finance costs		(1,075)	(1,349)
Share of profits and losses of:			
A joint-controlled entity		—	—
An associate		—	—
Loss before tax		(9,871)	(7,384)
Taxation	6	439	—
Loss for the period		(9,432)	(7,384)
Attributable to:			
— Equity holders of the Company		(9,708)	(8,299)
— Minority interest		276	915
		(9,432)	(7,384)
Dividends	7	—	—
Loss per share attributable to equity holders of the Company	8	(HK8.02 cents)	(HK7.80 cents)
— Basic			
— Diluted		N/A	N/A

**Condensed Consolidated Balance Sheet***At 30 September 2007*

	<b>As at 30 September 2007</b>	As at 31 March 2007
<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	(Audited)
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	<b>301</b>	357
Goodwill	<b>1,810</b>	1,810
Available-for-sale financial assets	<b>3,205</b>	1,596
Interest in a jointly-controlled entity	<b>—</b>	1,247
	<b>5,316</b>	5,010
<b>Current assets</b>		
Amount due from customers for contract work	<b>38,071</b>	38,020
Accounts receivable	<b>122,848</b>	121,507
Prepayments, deposits and other receivables	<b>18,798</b>	14,915
Loan to a shareholder	<b>200</b>	200
Tax recoverable	<b>—</b>	606
Pledged time deposits	<b>5,100</b>	5,100
Cash and cash equivalents	<b>18,597</b>	32,239
	<b>203,614</b>	212,587
<b>Total assets</b>	<b>208,930</b>	217,597
<b>EQUITY</b>		
<b>Capital and reserves attributable to equity holders of the Company</b>		
Share capital	<b>12,108</b>	12,108
Reserves	<b>91,595</b>	100,430
	<b>103,703</b>	112,538
<b>Minority interests</b>	<b>2,845</b>	2,569
<b>Total equity</b>	<b>106,548</b>	115,107

**Condensed Consolidated Balance Sheet** *(Continued)**At 30 September 2007*

	<b>As at 30 September 2007</b>	As at 31 March 2007
<i>Note</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Loan from Shareholders	<b>38,447</b>	37,372
Deferred tax	<b>18</b>	18
	<b>38,465</b>	37,390
<b>Current liabilities</b>		
Amount due to customers for contract work	<b>7,864</b>	10,064
Accounts payable	<b>50,516</b>	50,455
Tax payable	<b>106</b>	20
Other payables and accruals	<b>5,431</b>	4,561
	<b>63,917</b>	65,100
<b>Total liabilities</b>	<b>102,382</b>	102,490
<b>Total equity and liabilities</b>	<b>208,930</b>	217,597
<b>Net current assets</b>	<b>139,697</b>	147,487
<b>Total assets less current liabilities</b>	<b>145,013</b>	152,497

**Condensed Consolidated Statement of Changes in Equity***For the six months ended 30 September 2007*

	Issued share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Available-for- sale financial assets fair value reserve <i>HK\$'000</i>	Exchange translation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2007	12,108	34,086	9,800	273	788	55,483	2,569	115,107
Exchange differences	—	—	—	—	254	—	—	254
Fair value gains in respect of available-for-sale finance assets	—	—	—	619	—	—	—	619
Loss for the period	—	—	—	—	—	(9,708)	276	(9,432)
At 30 September 2007	12,108	34,086	9,800	892	1,042	45,775	2,845	106,548

	Issued share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Available-for- sale financial assets fair value reserve <i>HK\$'000</i>	Exchange translation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2006	10,640	29,535	9,800	—	300	75,894	3,294	129,463
Exchange differences on translation of overseas subsidiaries not recognised in the condensed income statement	—	—	—	—	(2,173)	—	(591)	(2,764)
Loss attributable to shareholders	—	—	—	—	—	(8,299)	915	(7,384)
At 30 September 2006	10,640	29,535	9,800	—	(1,873)	67,595	3,618	119,315

**Condensed Consolidated Cash Flow Statement***For the six months ended 30 September 2007*

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Net cash outflow from operating activities	<b>(14,363)</b>	(7,752)
Net cash inflow from investing activities	<b>721</b>	3,100
Net cash outflow from financing activities	<b>—</b>	(1,349)
<b>Net decrease in cash and cash equivalents</b>	<b>(13,642)</b>	(6,001)
Cash and cash equivalents at beginning of the period	<b>32,239</b>	51,590
<b>Cash and cash equivalents at end of the period</b>	<b>18,597</b>	45,589
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and bank balances	<b>18,597</b>	45,589

## Notes to the Condensed Consolidated Financial Statements

*For the six months ended 30 September 2007*

### 1. Basis of preparation

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Included in the accounts receivables balance under current assets in the consolidated balance sheet as at 30 September 2007, are accounts receivables, recorded based on architects certificates, of approximately HK\$120.5 million (the "Receivable Under Dispute") being currently withheld by one major customer of the Group (the "Customer") with respect to dispute with the aforesaid customer on claims arising from liquidated damages and alleged environmental related damages in relation to main contract works for a residential development project carried out in Kowloon Tong, Hong Kong, and the counter claiming of extension of time entitlement by the Group. The Receivable Under Dispute was certified by the architects of the respective residential development project.

As a result of the withholding of settlement of accounts receivable by the Customer, the working capital of the Group has been affected. In order to maintain the working capital of the Group, major shareholders of the Company have agreed to provide continual financial support to the Group in the form of shareholders' loan, of which approximately HK\$38.4 million of the loan had been made to the Group as at 30 September 2007.

In the opinion of the directors, in light of the continual financial support from the major shareholders, together with the anticipated settlement of the accounts receivable being withheld by the Customer, the Group would have sufficient financial resources to satisfy its working capital needs for the foreseeable future. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

### 2. Principal accounting policies

The unaudited condensed financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2007.

In the current interim period, the Group has applied, for the first time, a new standard, amendment and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1 April 2007.

The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early adopted any new standards, amendments to standards or interpretations that have been issued but are not effective for the year ending 31 March 2008. The Group has already commenced an assessment of their impact but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.



### 3. Segment information

The Group's operating businesses are structured and managed separately, according to the nature of their operations and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- (i) the building construction segment engages in construction and foundation contract works as a main contractor or subcontractor for building construction in the private and public sectors;
- (ii) the renovation, repairs and maintenance segment engages in site formation, civil engineering works, repairs, maintenance, renovation and fitting out works in the private and public sectors; and
- (iii) the corporate and others segment comprises the Group's management services and property holding businesses, which includes rental income and gain on disposal of investment properties, together with corporate income and expense items.

#### Business segments

The following table presents revenue and results for the Group's business segment.

	Building Construction		Renovation, repairs and maintenance		Corporate and others		Consolidated	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue:								
Contract revenue from external customers	3,064	10,732	10,281	26,254	—	—	13,345	36,986
Other revenue	20	15	21	57	—	—	41	72
<b>Total</b>	<b>3,084</b>	<b>10,747</b>	<b>10,302</b>	<b>26,311</b>	<b>—</b>	<b>—</b>	<b>13,386</b>	<b>37,058</b>
Segment results	20	(2,895)	1,655	(4,961)	(11,811)	—	(10,136)	(7,856)
Interest and unallocated gains							1,340	1,821
Loss from operating activities							(8,796)	(6,035)
Finance costs							(1,075)	(1,349)
Loss before tax							(9,871)	(7,384)
Taxation							439	—
Loss for the period							(9,432)	(7,384)

## 3. Segmental information (Continued)

*Business segments (Continued)*

	Building Construction		Renovation, repairs and maintenance		Corporate and others		Consolidated	
	30 September 2007 HK\$'000 (Unaudited)	31 March 2007 HK\$'000 (Audited)	30 September 2007 HK\$'000 (Unaudited)	31 March 2007 HK\$'000 (Audited)	30 September 2007 HK\$'000 (Unaudited)	31 March 2007 HK\$'000 (Audited)	30 September 2007 HK\$'000 (Unaudited)	31 March 2007 HK\$'000 (Audited)
Segment assets	152,073	153,822	25,184	21,623	4,570	1,164	181,827	176,609
Interest in a jointly-controlled entity	—	1,247	—	—	—	—	—	1,247
Unallocated assets							27,103	39,741
Total assets							208,930	217,597
Segment liabilities	53,373	50,668	8,728	12,677	1,711	1,735	63,812	65,080
Unallocated liabilities							38,570	37,410
Total liabilities							102,382	102,490

*Geographical segments*

The Group's revenue and contribution to profit before taxation, analyzed by geographical markets are as follows:

	Segment revenue Six months ended 30 September 2007 HK\$'000 (Unaudited)		Segment results Six months ended 30 September 2006 HK\$'000 (Unaudited)	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Hong Kong	3,993	18,602	(10,836)	(9,093)
The People's Republic of China ("PRC")	9,352	18,384	1,023	1,201
	13,345	36,986	(9,813)	(7,892)
Interest and unallocated gains			1,017	1,857
Loss from operating activities			(8,796)	(6,035)
Finance costs			(1,075)	(1,349)
Loss before tax			(9,871)	(7,384)
Taxation			439	—
Loss for the period			(9,432)	(7,384)

## 3. Segmental information (Continued)

*Geographical segments (Continued)*

	Hong Kong		PRC		Total	
	30 September 2007 HK\$'000 (Unaudited)	31 March 2007 HK\$'000 (Audited)	30 September 2007 HK\$'000 (Unaudited)	31 March 2007 HK\$'000 (Audited)	30 September 2007 HK\$'000 (Unaudited)	31 March 2007 HK\$'000 (Audited)
Segment assets	195,734	205,843	13,196	11,754	208,930	217,597

## 4. Turnover and other revenue

	Six months ended 30 September	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Turnover — contract revenue	13,345	36,986
Other revenue		
Management fee income, net	20	1
Interest income	421	882
Rental income	(1)	108
Bad debts recovered	300	—
Sundry income	267	37
Gain on disposal of fixed assets	21	865
Gain on disposal of available-for-sale financial assets	306	—

**5. Loss from operating activities**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2007</b>	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Depreciation	<b>73</b>	70
Less: Amount capitalised as contract costs	<b>5</b>	(6)
	<b>68</b>	64
Interest income	<b>421</b>	(882)

**6. Taxation**

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits arising in Hong Kong for the six months ended 30 September 2007 (30 September 2006: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2007</b>	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Overprovision in prior years — Hong Kong	<b>439</b>	—

**7. Dividends**

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 September 2007 (six months ended 30 September 2006: Nil).

**8. Loss per share attributable to equity holders of the Company**

The calculation of basic loss per share amounts is based on the loss for the six months ended 30 September 2007 attributable to equity holders of the Company of approximately HK\$9,708,000 (2006: loss of HK\$8,299,000) and the weighted average number of ordinary shares in issue during the financial period under review of 121,083,000 (2006: 106,400,000 (restated)) after adjusting for the effects of the share consolidation approved on 27 April 2007. The basic loss per share for the six months ended 30 September 2006 had been adjusted accordingly.

No diluted earnings per share has been presented for the six months ended 30 September 2007 and 2006 as there were no potential dilutive ordinary shares in existence for the periods.

**9. Accounts receivable**

The payment term of contract work was stipulated in the relevant contracts.

An aged analysis of accounts receivable, net of provisions, as at the balance sheet date is as follows:

	<b>As at 30 September 2007 HK\$'000 (Unaudited)</b>	As at 31 March 2007 HK\$'000 (Audited)
Within 30 days	<b>1,250</b>	96
31 - 90 days	<b>406</b>	158
91 - 180 days	<b>8</b>	6
Over 180 days	<b>121,184</b>	121,255
	<b>122,848</b>	121,515
Less: Provision for impairment loss on accounts receivables	—	(8)
	<b>122,848</b>	121,507

Interim applications for progress payments for contract works are normally made on a monthly basis. The Group allows an average credit period of 60 days to its contract customers. For retention money receivables in respect of contract works, the due dates are usually not more than three months after the issue of statements of the final accounts of the contract works. As at 30 September 2007, no retentions held by customers for contract work were included in accounts receivable (31 March 2007: Nil).

**10. Accounts payable**

An aged analysis of accounts payable as at the balance sheet date is as follows:

	<b>As at 30 September 2007 HK\$'000 (Unaudited)</b>	As at 31 March 2007 HK\$'000 (Audited)
Within 30 days	<b>1,578</b>	1,275
31 - 90 days	<b>595</b>	958
91 - 180 days	<b>845</b>	1,536
Over 180 days	<b>47,498</b>	46,686
	<b>50,516</b>	50,455

## 11. Share capital

	<b>As at 30 September 2007 HK\$'000 (Unaudited)</b>	<b>As at 31 March 2007 HK\$'000 (Audited)</b>
Authorised:		
200,000,000 (31 March 2007: 2,000,000,000) ordinary shares of HK\$0.10 (31 March 2007: HK\$0.01) each	<b>20,000</b>	20,000
Issued and fully paid:		
121,083,000 (31 March 2007: 1,210,830,000) ordinary shares of HK\$0.10 (31 March 2007: HK\$0.01) each	<b>12,108</b>	12,108

During the period from 27 August 2002 (date of incorporation) to 30 September 2007, the movements in the share capital of the Company were as follows:

- (a) Upon incorporation of the Company, the authorised share capital of the Company was HK\$100,000 dividend into 10,000,000 shares of HK\$0.01 each.
- (b) Pursuant to the written resolutions of all the shareholders of the Company passed on 6 September 2004, the authorised share capital of the Company was increased from HK\$100,000 to HK\$20,000,000 by the creation of an additional 1,990,000,000 shares of HK\$0.01 each.
- (c) On 2 September 2002, on aggregate of 10,000,000 shares of HK\$0.01 each were allotted and issued nil paid.
- (d) On 6 September 2004, as part of the Group Reorganisation, 10,000,000 new shares of HK\$0.01 each in the Company were allotted and issued, credited as fully paid, and the existing 10,000,000 shares of HK\$0.01 each issued nil paid on 2 September 2002 as mentioned in (c) above, were credited as fully paid at par, in consideration and in exchange for the acquisition by the Company of the entire issued share capital of Wing Hong Investment.
- (e) Pursuant to the resolutions passed on 6 September 2004, a total of 852,480,000 shares of HK\$0.01 each in the Company were allotted and issued as fully paid at par, by way of capitalisation of the sum of HK\$8,524,800 standing to the credit of the share premium account of the Company. This allotment and capitalisation were conditional on the share premium account being credited as a result of the issue of new shares in connection with the placing and public offer of the new shares of the Company as disclosed in (f) below.
- (f) On 12 October 2004, 191,520,000 ordinary shares of HK\$0.01 each were issued at an issue price of HK\$0.25 each for a total cash consideration of HK\$47,880,000 through an initial public offering by way of placing and public offer. Share issue expenses of approximately HK\$7,905,000 were incurred in connection with the Company's initial public offering and were charged to the share premium account.
- (g) Pursuant to an ordinary resolution passed in the special general meeting held on 27 April 2007, every ten issued and unissued shares of the Company of HK\$0.01 each were consolidated into one consolidated share of HK\$0.1 each.

## 12. Share Option Scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants for their contributions to the Group. Eligible participants of the Scheme include the part-time or full-time employee, executive or officer of the Group (including the executive and non-executive directors of the Company), business consultants, agents, financial or legal advisers who the board of directors of the Company considers, in its sole discretion, will contribute or have contributed to the Group.

The Scheme became effective on 6 September 2004 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue immediately after the listing of the Company on the Stock Exchange. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue as at the date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue on the date of offer and with an aggregate value (based on the closing price of the Company's shares at the date of the offer) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors and, commences after a certain vesting period and, ends on a date which is not later than 10 years from the date of grant.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of grant of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

At the date of this interim report, the total number of shares available for issue under the Scheme is 10,640,000 shares representing 8.8% of the total issued share capital of the Company on that date.

No share option was granted, exercised, cancelled or lapsed under the Scheme at any time.

### 13. Contingent liabilities

- (a) In the normal course of business, the Group is subject to claims of liquidated damages by relevant employers due to a delay in completion of certain phases of construction contracts. The Group has filed extension of time claims with the relevant employers and the Directors, based on legal advice, consider that the Group has valid reasons for the extension of time claims. As at the date of approval of these financial statements, the Directors are of the opinion that the amount of the ultimate liquidated damages, if any, cannot be ascertained, however, any resulting liability would unlikely materially affect the financial position of the Group.
- (b) On 7 August 2002, a High Court action had commenced by a subcontractor against a subsidiary of the Group in respect of (i) a claim of subcontracting fees and material costs of approximately HK\$31,300,000; and (ii) a compensation claim of approximately HK\$191,200,000 for the improper termination of a subcontracting contract. On 13 September 2002, an agreement was reached between the subsidiary of the Group and the subcontractor that the High Court action was withdrawn and all the disputes between the parties relating to this action were referred to arbitration. In the statement of claim for the arbitration, the subcontractor revised the claim of subcontracting fees and material costs and compensation claim to approximately HK\$42,600,000 and HK\$84,400,000, respectively. On 9 July 2005, a writ of summons was issued and the proceedings were transferred to the Court of First Instance. The subcontractor further revised the claim of subcontracting fees and material costs and compensation claim to approximately HK\$56,000,000 and HK\$278,100,000 respectively.

As at the date of approval of these financial statements, no decision had been made in the arbitration and court proceedings. In the opinion of the directors, based on legal advice, the subsidiary of the Group has valid defences, against such claims and any resulting liabilities would not have any material adverse impact on the Group's financial position. Therefore, no provision in respect of such claims was made.

- (c) On 13 May 2004, 19 August 2004, 23 August 2005 and 4 September 2006, one District Court action and three High Court actions had commenced by three employees against subsidiaries of the Group and the other respondents in respect of claims for employees' compensation under the common law for personal injuries sustained by the employees in accidents arising in and out of the course of their employments and personal injury, loss and damage arising out of the negligence.

No settlements have been reached and no judgments have been made against the subsidiaries of the Group in respect of the above actions. In the opinion of the Directors, the above actions with three employees were either covered by insurance or indemnified by a subcontractor and would not have any material adverse impact on the Group. Therefore, no provision in respect of such claim was made.



**13. Contingent liabilities** *(Continued)*

- (d) On 13 September 2004, a subsidiary of the Group received a notice of arbitration from a nominated subcontractor in respect of a claim against the subsidiary of the Group in respect of subcontracting works performed in a residential development project in Kowloon Tong, Hong Kong. The amount of claim was approximately HK\$26,000,000. On 5 May 2005, the subsidiary of the Group and the nominated subcontractor agreed to enter into a moratorium period of six months to the arbitration. On 13 April 2006, the subsidiary of the Group and the nominated subcontractor further agreed to suspend the arbitration proceeding for three months subject to the rights to re-active the proceedings upon a three day written notice to the subsidiary of the Group. Since this date and up to the date of approval of these financial statements, the arbitration has been dormant and there has been no activity arisen by the parties.

In the opinion of the Directors, based on legal advice, the claim was related to a payment being withheld in respect of subcontracting work delays and defects caused by the nominated subcontractor, and the resulting liabilities, if any, would not have material adverse impact on the Group's financial position.

- (e) On 26 July 2005, a High Court action was commenced by a subcontracted party of a subcontractor of the Group (the "Subcontracted Party") against a subsidiary of the Group and the subcontractor, which is in liquidation, in respect of a claim of subcontracting fees and material costs of approximately HK\$20,500,000 relating to a maintenance term contract. On 25 April 2006, the Subcontracted Party substantially revised its statement of claim and the total amount of claim was revised to approximately HK\$14,241,000. In the opinion of the Directors, based on legal advice, the subsidiary of the Group has valid defences against such claims and any resulting liabilities would not have any material adverse impact on the Group's financial position. Therefore, no provision in respect of such claims was made.
- (f) An accounts receivable in a subsidiary of the Group of approximately HK\$120,459,000 recorded based on architect's certificates, currently withheld by a major customer of the Group with respect to disputes on claims arising from liquidated damages and alleged environmental related damages in relation to main contract work for a residential development project carried out in Kowloon Tong, Hong Kong, and the claim made by the Group on extension of time entitlement by the Group. The receivable was certified by the architects of the residential development project.

As at the date of approval of these financial statements, the Group has initiated arbitration proceedings to recover the outstanding amount due and negotiations with the customer are still in progress. Despite that the full amount of the accounts receivable balance is being withheld by the major customer, a counter claim was made by the major customer against the Group in relation to claims arising from liquidated damages and alleged environmental related damages in relation to main contract works in a residential development project carried out in Hong Kong in the amount of approximately HK\$122,480,000. In the opinion of the directors, based on legal advice, the major customer does not have sufficient grounds to their entitlement of extension of time claim, and as a result, the resultant liquidated damages, if any, would not be significant to the Group's financial statements. The Directors also considered that the Group has valid grounds to defend against the alleged environmental related damages claimed by the major customers and that the final amount being claimed, if any, would not have a material impact to the Group's financial position.

**13. Contingent liabilities** *(Continued)*

- (g) On 23 August 2005, a subsidiary of the Group commenced arbitration proceedings against a subcontractor of the Group to recover an amount of approximately HK\$12,886,000 due from the subcontractor, representing the costs incurred by the subsidiary on behalf of the subcontractor due to the subcontractor's unsatisfactory performance in relation to a civil engineering works contract granted by the Civil Engineering Department of the HKSAR Government to the subsidiary. The subcontractor counterclaimed the subsidiary outstanding payment in the sum of HK\$2,531,000. The parties had exchanged claims submission and there has been no further development on this case.
- (h) On 7 December 2006, a subsidiary of the Group received a notice of arbitration from a subcontractor in respect of a claim against the subsidiary of the Group in respect of subcontracting works performed in a residential development project in Kowloon Tong, Hong Kong. The amount of claim was approximately HK\$5,629,000. On 24 February 2007, the subsidiary of the Group sought to counterclaim against the subcontractor of approximately HK\$8,062,000.

As at the date of approval of these financial statements, no decision had been made in the arbitration. In the opinion of the Directors, based on legal advice, the subsidiary of the Group has valid defences, against such claims and any resulting liabilities would not have any material adverse impact on the Group's financial position. Therefore, no provision in respect of such claims was made.

- (i) On 28 March 2007, a subsidiary of the Group received a notice of arbitration from a nominated subcontractor in respect of a claim against the subsidiary of the Group in respect of subcontracting works performed in a residential development project in Kowloon Tong, Hong Kong. The amount of claim was approximately HK\$3,253,000. On 29 June 2007, the subsidiary of the Group sought to counterclaim against the subcontractor of approximately HK\$232,000 together with an order for indemnity for a sum amounting to approximately HK\$4,389,000.

As at the date of approval of these financial statements, no decision had been made in the arbitration. In the opinion of the Directors, based on legal advice, the subsidiary of the Group has valid defences, against such claims and any resulting liabilities would not have any material adverse impact on the Group's financial position. Therefore, no provision in respect of such claims was made.

- (j) On 20 November 2007, a District Court civil action had been commenced by a subcontractor against a subsidiary of the Group in respect of a claim for subcontracting fees of approximately HK\$166,000 in a residential development project in Lai Chi Kok Road and a writ of summons was issued. As at the date of approval of these financial statements, no ruling had been made in relation to the claim.
- (k) On 20 November 2007, a High Court action had been commenced by a subcontractor against a subsidiary of the Group in respect of a claim for subcontracting fees of approximately HK\$2,062,000 in a superstructure works in Hin Keng Street and a writ of summons was issued. As at the date of approval of these financial statements, no ruling had been made for the claim.

Saved as disclosed above, as at 30 September 2007, the Group and the Company had no other material contingent liabilities.

**14. Operating lease commitments**

The Group leases a warehouse and office premises under operating lease arrangements, with leases negotiated for terms ranging from one to two years.

The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>As at 30 September 2007 HK\$'000 (Unaudited)</b>	As at 31 March 2007 HK\$'000 (Audited)
Warehouses and office premises:		
Within one year	<b>952</b>	819
In the second to fifth years, inclusive	<b>1,108</b>	1,549
	<b>2,060</b>	2,368

**15. Capital commitments**

On 24 September 2007, a wholly owned subsidiary of the Company entered into an agreement with certain vendors and 北京鐵聯通達廣告傳媒有限公司 (「北京鐵聯通達」) to invest an aggregate of RMB312 million by (i) subscribing for the new registered capital of 北京鐵聯通達 in the amount of RMB88 million; (ii) providing a shareholders' loan to 北京鐵聯通達 in the amount of RMB176 million; and (iii) the Investor will acquire an additional 10% shareholding interest in 北京鐵聯通達 at a consideration of RMB48 million from certain vendors within a period of 2 years commencing from the date of the signing of the agreement. The other major terms of this transaction have been disclosed in the Company's announcement dated 5 October 2007.

Saved as disclosed above, the Group and the Company did not have any material capital commitments at the balance sheet date.

**16. Related party transactions**

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the period:

	<b>30 September 2007 HK\$'000 (Unaudited)</b>	30 September 2006 HK\$'000 (Unaudited)
Office rental expense paid to First Win (Asia) Limited	—	327
Management fees received from WH-SCG, a jointly-controlled entity	<b>20</b>	1
Renovation fees received from Shanghai Jinjiang International Investment Co. Ltd. ("Jinjiang") and its subsidiaries and associates	<b>874</b>	3,415
Operating leases receivable from Maximizer Asia (Shanghai) Ltd	<b>18</b>	—

*Notes:*

- (i) First Win (Asia) Limited is controlled by Mr. Hui Chi Yang and Ms. Chu Yuen Lam, the wife of Mr. Hui Kau Mo. Mr. Hui Chi Yang is a director of certain of the Group's subsidiaries. Mr. Hui Kau Mo is a director of the Company. The rental expense was charged based on the floor area occupied by the Group at rates mutually agreed between the two parties.
- (ii) The management fees were charged at cost based on the salary of staff assigned to a project of WH-SCG and were mutually agreed between the two parties.
- (iii) Jinjiang is the minority shareholder of Jinjiang Wing Hong. The renovation fees were received in accordance with the terms of the renovation agreements signed between Jinjiang Wing Hong and Jinjiang and its subsidiaries and associates.
- (iv) Monthly Shanghai office rental fee receivable from Maximizer Asia (Shanghai) Ltd, Mr. Hui Kau Mo and Mr. Liu Kwong Sang are the non-executive director and the independent non-executive director of abc Multiactive Limited respectively, which is the ultimate holding company of Maximizer Asia (Shanghai) Ltd.

In the opinion of the directors, the above transactions arose in the ordinary course of business of the Group.

**17. Subsequent event**

On 19 September 2007, an ordinary resolution passed in the extraordinary general meeting relating to the Company is authorised by shareholders to issue convertible notes in the principal amount of up to HK\$296,000,000. The placing period of these convertible notes expired on 19 December 2007. Placing notes and subscription notes in the aggregate principal amount of HK\$20 million were issued by the Company during the placing period.

Pursuant to an ordinary resolution passed in the extraordinary general meeting held on 8 November 2007, every issued and unissued share of the Company of HK\$0.10 each were sub-divided into ten sub-divided shares of HK\$0.01 each.

**18. Approval of the financial statements**

The unaudited financial statements were approved and authorised for issue by the board of directors on 21 December 2007.

**Management Discussion and Analysis**

During the six months ended 30 September 2007, the Group was engaged in a broad spectrum of construction works for both public and private sectors in Hong Kong. For the period under review, the Group recorded a turnover of approximately HK\$13,345,000, representing a decrease of 63.9% compared to HK\$36,986,000 of the corresponding period last year. Loss for the period of HK\$9,708,000 was recorded for the first six months of the current fiscal year to the equity holders of the Company.

**Business Review**

The depression in the construction industry continued in Hong Kong during the reported period. The ongoing increase in material costs and labour costs together with the low construction contract prices from property developers were the main reasons for the difficulties in this industry. In order to reduce its impact to the Group, the Company reorganized and downsized the construction department.

On 24 September 2007, an agreement was signed by a wholly owned subsidiary of the Company with 北京鐵聯通達廣告傳媒有限公司 (“北京鐵聯通達”) to subscribe for its new registered capital, provide a shareholders' loan to it and acquire an additional shareholding interest from its existing shareholders with an aggregate consideration of RMB312 million. Upon the completion of such acquisition, the Group will hold 65% shareholding interest in 北京鐵聯通達.

**Business Review** *(Continued)*

北京鐵聯通達 was established under the PRC laws to engage in media sales and management services for the multi-media business and the operation of media advertising spaces together with the provision of rail transit value-added services through LCD displays located at the ticketing offices of each station in the PRC. It has obtained absolute nationwide exclusive rights for media advertising broadcasting in the LCD display placed in front of tickets selling counters in the transit rail stations in the PRC for 5 years and such rights will be automatically renewed every 5 years and up to a period of 15 years. 北京鐵聯通達 is entitled to entire amount of advertising profit under such right.

**Business Prospects**

As the advertising market in the PRC is maturing, the competition among media services providers is also intensifying. Under this circumstance, the advertising companies sought new media channel for distributing their advertisements in order to expand their business operation. Such demand has promoted several outdoor media channel in becoming a commonly used advertising source and the LCD display system at train station is a unique channel among all. It is expected that the new source of advertising will take up an important role in the future market.

**Financial Review****Capital Structure**

There has been no significant change in the capital structure of the Group since 31 March 2007.

**Liquidity, Financial Resources and Capital Structure**

As at 30 September 2007, the Group had fixed deposits and cash balances aggregated to approximately HK\$23.7 million (31 March 2007: HK\$37.3 million). On 30 September 2007, there is no bank borrowing in the Group (31 March 2007: Nil).

The Group's gearing ratio, calculated by aggregate of interest-bearing borrowings, loans from shareholders and other non-current liabilities over total assets, increase to 18.4% at 30 September 2007 from 17.2% at 31 March 2007.

**Exposure to Fluctuations in Exchange Rates**

Cash and bank deposits of the Group are either in HK dollars or RMB. The Group conducts its core business transaction mainly in HK dollars and RMB such that the Group did not use any derivative instruments to hedge its foreign currency exposure as the Group considered its foreign currency exposure is insignificant.

### Number of Employees and Remuneration Policies

As at 30 September 2007, the number of employees of the Group was 41 (31 March 2007: 47). Employees are remunerated at market level according to their qualifications and experience, job nature and performance. Other benefits to employees include medical, share option scheme and retirement schemes.

### Pledge of Assets

On 30 September 2007, certain time deposits amounted to HK\$5.1 million (31 March 2007: HK\$5.1 million) were pledged for performance bond facilities.

### Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

At 30 September 2007, the interests and short positions of the directors in the share capital and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long position in Shares, underlying shares and debentures of the Company or its associated corporations:

Name of Director	Company/name of associated corporation	Capacity	Number and class of securities/approximate shareholding percentage As at 30 September 2007 (Note 1)
Mr. Hui Chi Yung	Company	Beneficiary of The Wing Hong Trust (Note 2)	60,811,856 Shares/ 50.22% (L)
	Rich Place Investment Limited	Beneficiary of The Wing Hong Trust (Note 3)	1 ordinary share 100% (L)
Mr. Yiu Kai Yeuk, Raphael	Company	Corporate interest (Note 4)	6,805,344 Shares/ 5.62%(L)
	Beatrice Construction Limited	Beneficial owner	96,000 ordinary shares/ 10%(L)
Mr. Hui Kau Mo	Company	Settlor/Founder of The Wing Hong Trust (Note 2)	60,811,856 Shares/ 50.22% (L)
	Rich Place Investment Limited	Settlor/Founder of The Wing Hong Trust (Note 3)	1 ordinary share 100% (L)

**Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures** *(Continued)**Notes:*

1. The letter "L" denotes the Director's long position in such securities.
2. These shares are held by Rich Place Investment Limited which is wholly owned by RBTT Trust Corporation ("RBTT"). RBTT is the trustee of The Wing Hong Trust, a discretionary trust whose beneficiaries are the family members of Mr. Hui Kau Mo.
3. The share is held by RBTT. RBTT is the trustee of The Wing Hong Trust, a discretionary trust whose beneficiaries are the family members of Mr. Hui Kau Mo.
4. These shares are held by Million Honest Limited, the entire issued share capital of which is held by Mr. Yiu Kai Yeuk, Raphael.

Save as disclosed above, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.



### Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

At 30 September 2007, the interests and short positions (other than the directors of the Company) of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests in the shares and underlying shares of the Company, as required to be kept by the Company pursuant to Section 336 of the SFO, were as follows:

Name	Company/Group Member	Capacity	Number and class of securities/approximate shareholding percentage As at 30 September 2007 <i>(Note 1)</i>
The Wing Hong Trust	Company	Beneficial owner <i>(Note 2)</i>	60,811,856 Shares/ 50.22%(L)
Chin Ivan	Company	Beneficial owner	10,492,000 Shares/ 8.67%(L)
Million Honest Limited	Company	Beneficial owner <i>(Note 3)</i>	6,805,344 Shares/ 5.62% (L)

*Notes:*

1. The letter "L" denotes the long position in such securities.
2. These shares are held by Rich Place Investment Limited. The entire issued share capital of Rich Place Investment Limited is held by RBTT, acting in its capacity as the trustee of The Wing Hong Trust, a discretionary trust whose beneficiaries are the family members of Mr. Hui Kau Mo.
3. The entire issued share capital of Million Honest Limited is beneficially owned by Mr. Yiu Kai Yeuk, Raphael.

## **Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares** *(Continued)*

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## **Purchase, Sale or Redemption of The Company's Listed Securities**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2007.

## **Code on Corporate Governance Practices**

The Group has adopted and met all the Code Provisions set out in the Code on Corporate Governance Practices in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules") during the six months ended 30 September 2007 except there is a deviation in Code Provision A.2.1 which provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not have a separate Chairman and Chief Executive Officer and Mr. Hui Chi Yung currently holds both positions. The Board believes that vesting the roles of Chairman and Chief Executive Officer in the same person provides the Group with strong and consistent leadership in the development and execution of long-term business strategies.

## **Model Code for Securities Transactions by Directors**

The Group has adopted the Model Code for securities transactions by Directors of listed issuers as set out in Appendix 10 to the Listing Rules. Upon specific enquiry by the Company, all Directors have confirmed that they fully complied with the Model Code throughout the Period.

## **Audit Committee**

The Audit Committee comprises three members and all of whom are independent non-executive directors of the Company. It has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial report matters. The Audit Committee has also reviewed the interim results for the six months ended 30 September 2007.

## Appreciation

The Directors would like to take this opportunity to thank our shareholders, the management and our staff members for their dedication and support.

On behalf of the Board  
**Wing Hong (Holdings) Limited**  
**Hui Chi Yung**  
*Chairman*

Hong Kong, 21 December 2007

*As at the date of this report, the Board of Directors comprises Mr. Hui Chi Yung, Mr. Yiu Kai Yeuk, Raphael and Mr. Hui Kau Mo as Executive Directors and Mr. Liu Kwong Sang, Mr. Sit Hing Wah and Dr. Hu Chung Kuen, David as Independent Non-Executive Directors.*